

THE REPARATION SETTLEMENT OF 1930

by

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INTRODUCTION

AFTER a series of complicated and often critical negotiations, the Hague reparation agreements have been concluded and steps are now being taken to put into effect the machinery established in the modified Young plan.

In the latter part of May it is planned to issue the first German annuity loan, to the amount of \$300,000,000, which makes this issue the largest international financial operation since the war. (The Dawes loan was for \$200,000,000.) It is reported that the bonds will be issued so as to yield about 6 per cent interest. One-third of the proceeds will be used in Germany for internal improvements; two-thirds will be divided among the Allies on account of reparation.

The procedure for issuing this loan was worked out at a meeting of the directors of the Bank for International Settlements and bankers from interested countries at Brussels in the first week in May. A few days later, the treasury experts of the interested governments met with the International Bank directors at Paris. As a result of these discussions, it seems that American and French bankers will be asked to take about \$90,000,000 each and British bankers \$50,000,000, while the remaining \$70,000,000 of the loan will be divided among Sweden, Germany, Switzerland, Italy and Belgium.

Meanwhile, progress has been made with the establishment of the Bank for International Settlements. On February 26 representatives of the interested central banks nominated directors for the new Bank, inviting Mr. Gates W. McGarrah, chairman of the Federal Reserve Board of New York, and Mr. Leon Fraser to sit upon the board as American directors. On April 22 the

board of directors of the International Bank, meeting for the first time at Basle, elected Mr. McGarrah president, and Mr. Pierre Quesnay of the Bank of France managing director of the new Bank. (The German delegation voted against Mr. Quesnay's appointment on the ground that such a position should be held by a banker from a neutral nation.) Sir Charles Addis of Great Britain and Dr. Melchior of Germany were named vice-presidents. It is hoped that the Bank will open its doors some time in May.

The second session of the conference at the Hague, which was opened on January 3 and concluded its work on January 20, 1930, ended with the signing of fourteen agreements which are enumerated in the Final Act of the Conference and give a definite settlement to the outstanding questions concerning both German and Eastern European reparations.

The recommendations of the Young committee which were examined in an earlier issue of the *Information Service*¹ have therefore been put in a form where their final adoption depends only upon ratification by the various national Parliaments.² The New Plan—as the modified Young plan is now consistently called in all the official documents—will therefore be put into effect shortly and will mark the end of a long period in the financial liquidation of the war.

The New Plan will take the place of the Dawes plan which has been in operation

1. "The Young Plan Settlement," *F. P. A. Information Service*, Vol. V, No. 12, August 21, 1929.

2. The German Reichstag ratified the agreement on March 12 by a vote of 265 to 192 and President von Hindenburg signed the bill on March 13, 1930. The French Chamber voted its ratification on March 29 by 530 votes to 55, followed by the Senate on April 5, which ratified it by a vote of 284 to 8. (Cf. *New York Times*, March 30 and April 6, 1930; also *Le Temps* (Paris), March 30 and 31, 1930.) Italian and British ratifications were deposited on May 9, 1930.

since September 1, 1924. The Dawes plan established a standard annuity of 2,500,000,000 Reichsmarks (\$595,000,000) for an indefinite period, subject to increase when the "index of prosperity" applied to Germany's economic condition should show this to be possible. Beginning on September 1, 1924, Germany's payments were graduated up to the standard payment, which was reached in the annuity year 1929-1930.

The Dawes plan made a sharp distinction between the collection of annuities in Reichsmarks in Germany and their subsequent transfer to the allied creditors. Germany's obligation was declared to be discharged after the deposit at Berlin to the account of the Agent General for Reparation Payments of the sum due in Reichsmarks. It was the responsibility of the Allies—through the Agent General and the Transfer Committee—to see that these sums reached their own treasuries in their own currencies. They were also bound by the terms of the report of the Dawes committee to cease the transfer of Reichsmarks into acceptable currencies if the stability of the German currency should be threatened thereby. This "transfer protection" was looked upon as the chief asset to Germany in the settlement of 1924.

During the five years of its operation, the Dawes plan worked smoothly. A real test of its transfer machinery, however, did not take place, in view of the unexpectedly large volume of Germany's foreign borrowing, which furnished the foreign exchange for the Transfer Committee. Meanwhile the Agent General for Reparation Payments repeatedly drew attention to the fact that "neither the reparation problem, nor the other problems depending upon it" would be finally solved until Germany had "been given a definite task to perform on her own responsibility, without foreign supervision and without transfer protection."³

THE YOUNG PLAN

A tentative agreement between M. Briand and Dr. Stresemann was reached at Thoiry in September 1926 for the final settlement of the reparation question by the commercialization of the railway bonds underlying

the Dawes annuity. This agreement proved to be politically premature, but finally on September 16, 1928 the representatives of Germany and the major creditor countries decided at Geneva to establish a new Committee of Experts to work out a complete and final settlement of the reparation problem. This Committee of Experts—of which Mr. Owen D. Young, one of the American members, was elected chairman—met at Paris from February 11 to June 7, 1929 and its report has become the basis of the New Plan which was embodied in an international agreement at the second Hague Conference.^{3a}

The outstanding features of the new settlement are:

1. The establishment of a definite number of annuities covering 58½ years (September 1929 to March 1, 1988) estimated to have a present value at 5½ per cent of 33,750,000,000 marks, or \$8,032,500,000.

2. A sharp cut in the annuities for the first 37 years—bringing them down from \$595,000,000 to an annual average of \$473,700,000—while the payments for the following 22 years were even more sharply reduced and special provisions were made for their discharge.

3. The division of the annuities into two parts, of which the first was "conditional" (that is to say, subject to transfer protection by postponement in case economic conditions in Germany seemed to demand it), while the second—the "unconditional" part of the annuity—was to be paid irrespective of the condition of German currency. The unconditional part was also to be subject to "mobilization," that is to say, to financial operations by which its present cash value could be secured by bond issues based on the security of the unconditional part of the annuity.

4. The establishment of a new flexibly equipped transfer mechanism—the Bank for International Settlements—which, aside from its functions as administrative agent and trustee of the reparation payments, is so framed as to enable it to take on international banking functions of a more general type.

5. The clear and unmistakable recognition of the economic and financial connection between war debts and reparation receipts. Thus the period over which German payments are to run is established so that it will correspond with the period of war-debt payments; the amounts of the annuities are permitted to fluctuate with the requirements of the several creditor treasuries for

3. Report of the Agent General for Reparation Payments, December 10, 1927.

3a. Technically there was only one conference at The Hague, divided into two sessions—the first extending from August 6 to August 31, 1929, and the second from January 3 to January 20, 1930. Popularly, however, these successive sessions are known as the first and second Hague Conferences.

"out-payments"; and, by a special memorandum, signed concurrently but not as a part of the Young plan report, it is agreed that Germany shall have a two-thirds share in any benefits accruing from reductions in war-debt payments during the first 37 years,⁴ and thereafter the whole benefit of such reduction.

BRITISH OBJECTIONS

Criticism of the Report of the Experts during the early part of the summer in England and Germany made it apparent that the Diplomatic Conference which was to be called to put the new arrangements into effect was not going to be a mere formality.⁵

The debate in the House of Commons on July 26, 1929, in which Mr. Philip Snowden met the critical speech of Mr. Lloyd George on the Report of the Experts with a sharp definition of the policy of the new Labour government, forecast the attitude of the British delegation. Mr. Snowden pointed out that the British government was not "in any way committed to the acceptance of the recommendations of the Report." The statement brought replies from the French and the Italians, who quoted the experts to the effect that their report was "an indivisible whole."⁶ Observers were therefore quite prepared for a sharp division over the Young report.⁷

To understand the British objections to the Young plan, it is necessary to refer to the Balfour note of August 1, 1922:

"The policy favoured by His Majesty's Government is, as I have already observed, that of surrendering their share of German reparation, and writing off, through one great transaction, the whole body of inter-Allied indebtedness. But, if this be found impossible of accomplishment, we wish it to be understood that we do not in any event desire to make a profit out of any less satisfactory arrangement. In no circumstances do we propose to ask more from our debtors than is necessary to pay to our creditors. And, while we do not ask for more, all will admit that we can hardly be content with less."

Thus Great Britain demanded from Germany and from its Allied debtors sums large enough merely to pay its debt to the

United States. In making debt settlements with its former Allies the British government strictly followed this principle. The Anglo-Italian debt agreement, for instance, provided that if at any time it appeared that the aggregate payments effectively received by Great Britain under Allied war-debt-funding agreements and on account of reparation or liberation bonds should exceed the aggregate payments effectively made by Great Britain to the government of the United States of America in respect of war debts, a proportionate share of the balance would be returned to Italy.

The British public regarded the Balfour note as highly generous. But many Englishmen believed that this generosity was not reciprocated by other governments. They felt that England had made a series of concessions of a one-sided nature, and this feeling was increased when they came to analyze the provisions of the Young plan. It was a contention of Mr. Snowden's that this plan did not give to the British government a sum even large enough to meet the total British debt payments to the United States. Back of these specific objections to the Young plan was the belief that British policy had been dominated by a desire to please France, and that the diplomatic freedom of England should be restored. To quote the *Manchester Guardian*:

"The Continental Powers had grown accustomed to an England that would always give way if only their own demands were pressed with sufficient force. That is why, although honour and interest should have made England stand either above the antagonism between the strong, victorious Continental Powers and the weak, defeated Powers or as mediator between them, she always came to be on the side of the stronger, and so helped to delay what is the absolute condition of lasting peace in Europe—namely, the levelling out of the immense preponderance of the victors over the vanquished. This she could not do if she always said 'Yes' to the victors. For the first time since Lord Curzon went out of office she has said 'No'.⁸"

8. *Manchester Guardian Weekly*, August 23, 1929. French opinion has never regarded the British position as particularly "generous" in view of the fact that the British received a substantial claim to reparation only after the "pensions" were added to the reparation total at Versailles. The British share in the Spa percentages is based on this inclusion, and while the total balance left to the Allies after meeting the debt payments to the United States now no longer meets the actual cost of physical reconstruction in France—not to speak of Belgium or Italy—the Spa percentage for Great Britain has been rigorously maintained.

4. Great Britain, Foreign Office, *Agreements Concluded at the Hague Conference, January 1930*, Cmd. 3484, Misc. No. 4 (1930), hereafter cited as *Hague Agreements*, Document 4.

5. "The Young Plan Settlement," cited, p. 215-16.

6. Cf. the statements of M. Mussolini quoted in *The Times* (London), August 2, 1929.

7. Cf. *ibid.*, August 4, 1929, and *Le Temps* (Paris), August 4 and 5, 1929.

It is furthermore pointed out that the obligations whose cancellation was suggested by Great Britain in the Balfour note were in many cases of a highly doubtful value, while its obligations to the United States were inescapable if the reputation of London in international finance was to be maintained.

THE CONFERENCE AT THE HAGUE: FIRST SESSION

When the first session of the Hague Conference began it was noted with some interest that the British delegation, in contrast to other delegations, did not contain any members of the Young committee. Here Mr. Snowden made a clear statement of the British position. While he approved the size of the annuities, the definite period of payments and the abolition of control, he criticized the report on the following grounds:

1. The proposed division of the annuities into unconditional and postponable portions did not take sufficient account of Great Britain's liabilities with regard to payments on debts to the United States. The British out-payments to the United States would have to take place without "postponement," while receipts from Germany under the Young plan might be most irregular. The large share of France in the unconditional share of the annuities—nearly five-sixths—should be revised.

2. The plan reduced the British share in reparation payments from the 22 per cent fixed in the original Spa agreement⁹ to 20.6 per cent, which meant an annual loss to Great Britain of 48 million Reichsmarks (roughly \$12,000,000). On the other hand, the Young plan increased the percentage of Italy from 10 to 10.7 per cent. Mr. Snowden declared that the Paris experts had no authority to interfere with the Spa percentages.

3. The Young plan, as far as the future was concerned, gave Great Britain a sum large enough, together with debt payments from France and Italy, to meet future debt payments to America, but it made "no allowance whatever" for the arrears of 200 million pounds which Great Britain had already paid to the United States over

and above what it had received from its debtors.¹⁰ The restoration of the Spa percentages would refund to Great Britain in the course of 37 years an estimated capital value of £37,000,000 toward these arrears.

4. The continuation of the deliveries in kind for at least ten more years was most objectionable because of their interference with British trade and industry.

The leader of the British delegation concluded his speech with the statement: "The House of Commons will never agree to any further sacrifice of British interests in this matter. There are no divisions between the parties on this question." Mr. Snowden further declared at the first meeting of the Financial Commission of the conference that the British delegation could not take part in the discussion of other matters arising out of the Report of the Experts until the Financial Commission had reached some decision as to "the three main points to which it [the British delegation] attached great importance—namely, the variation of the Spa percentages, the division of the payments into conditional and unconditional portions and payments in kind." He proposed the appointment of a sub-committee without German representation to consider these questions and "to revise the scheme of distribution of the annuities so as to bring it into accord with the existing interallied agreements."¹¹

Mr. Snowden then recalled that Great Britain had "entered the War in support of treaty rights and in defense of the safety and security of other nations," and after having stated that Great Britain had been more generous than the United States with France and Italy, declared: "We cannot

9. The Spa percentages for the distribution of reparation receipts among the Allies were established by the agreement of July 16, 1920 as follows:

Receiving Countries	SPA PERCENTAGES	
	Payments by Germany	Payments by Austria, Hungary and Bulgaria
	(Percentages of Distribution)	
France	52.0	26.0
Great Britain	22.0	11.0
Italy	10.0	25.0
Belgium	8.0	4.0
Japan	0.75	0.375
Portugal	0.75	0.375
Others	6.5	33.25

G. A. Furst, *De Versailles Aux Experts* (Paris, Berger-Levrault, 1927). Cf. Chap. II for historical survey of the distribution of the annuities. By subsequent agreements Yugoslavia was granted 5 per cent out of the 6.5 per cent available for the "others" in the case of German reparation payments. As soon as the Belgian priority—fixed at Spa at 2 billion Reichsmarks—was paid off, the Belgian share would be reduced from 8 to 4.5 per cent. The difference of 3.5 per cent has been paid to France and Great Britain (according to the terms of the Financial Agreement of Paris, January 14, 1925) in the proportion of 52 to 22, in accordance with the national allotments under the original Spa percentages. Thus since September 1, 1925 Great Britain and the Dominions have received 23.05 per cent and France 54.45 per cent of the total German payments.

10. Cf. *The Times* (London), August 7, 1929. On August 31, 1929 the war-debt payments of Great Britain to the United States government (August 1919—June 1929) totalled £260,200,000 and the interest payments to August 31, 1929 amounted to £59,384,000. The total of the British payments to the United States was therefore £319,584,000. The receipts of Great Britain were:

Allied War Debt and Interest:	
Italy	£ 15,397,000
France	19,338,000
Others	2,446,000
Reparation	88,181,000
Total receipts (without interest)	111,800,000
Total interest	13,562,000
Total receipts and interest	125,362,000

The excess of Great Britain's payments over receipts, including interest to August 31, 1929, was therefore £194,222,000 (interest calculated at 5 per cent).

11. *The Times* (London), August 9, 1929.

compromise. . . . The British House of Commons will never ratify the Young Report in its present form."¹²

ITALIAN AND FRENCH VIEWS

Replies to the British argument were made by the Italian and French delegates. M. Pirelli of Italy declared that the main obstacle was due to the fact that Mr. Snowden came to The Hague without the personal experience of members of the Paris committee to aid him and without a realization of the complexity of the reciprocal concessions that committee had made. It was at the suggestion of English members of the Young committee that the Italian share of reparation had been increased from 10 to 10.7 per cent. In return Italy had agreed to accept certain coal deliveries and to modify its share in the so-called Eastern reparations.¹³

M. Chéron of France, in a formal reply to Mr. Snowden on August 10,¹⁴ declared that the Spa percentages had in fact been maintained, but that in estimating these percentages Mr. Snowden had failed to deduct the so-called "prior charges" (*précomptes*)—including cost of commissions, back payments for occupation, American credits, Belgian war debts, etc. The Accord of Paris of January 1925 had provided for the payment of these sums before the distribution of reparations proper.¹⁵ While it is true that in their conversations in the fall of 1928 Messrs. Churchill and Poincaré had agreed

to maintain the Spa percentages, they did not alter past provisions relating to prior charges. M. Chéron insisted that if these prior charges were deducted, the Young plan would be found to have maintained the Spa percentages. In fact as far as the first ten years were concerned Great Britain would receive 23.11 per cent, or somewhat more than the Spa percentages. This was to be compensated for later on. Great Britain had desired to receive larger payments during these first ten years than later on so as to leave a balance for so-called "out-payments." France, on the other hand, had consented to smaller annual figures during these years in return for a large share of unconditional payments.¹⁶

M. Chéron also pointed out that none of the powers prefers to receive deliveries in kind rather than cash payments, but that such deliveries are necessary in order to facilitate the transfer of the payments. He indicated that the limitation of the payments to a period of 10 years was a concession to the British and pointed out that the re-export of at least the French receipts in kind was extremely unlikely while concessions in the form of further regulation of these deliveries remained a possibility.¹⁷ He ended by expressing the "tenacious hope—which is one of the faults of the Normans—that after the preliminary discussions a mere question of a few million marks would not endanger the delicate work at which its [Great Britain's] own delegates had so warmly collaborated."

Mr. Snowden's remarks after M. Chéron's speech brought the conference to its first crisis. The leading British delegate, in the language of *The Times*, "provoked by what he regarded as an irrelevant speech by M. Chéron, the French Finance Minister, made an impulsive reply in which he used terms somewhat unusual in a big international conference." He explained that he would not follow M. Chéron in the points he had made, and especially in the figures he had submitted. He would rather confine him-

12. *Ibid.*, August 9, 1929. In connection with the statement that Great Britain had been more generous in its debt settlements with France and Italy than the United States, it is perhaps of interest to recall the declaration made by the Hon. Winston Churchill as Chancellor of the Exchequer in the House of Commons on July 13, 1926: "It all depends on what view you take of these debts and of the settlements which are being made in regard to them. If you believe that for three whole generations, taking each generation for 20 years, those payments will be regularly, strictly and punctually made, that no change will sweep across the world in that period and that no alteration in the views of different nations will arise in all that lapse of time, then, undoubtedly, so far as the Italian Debt is concerned, the Americans would have done better than we have done. If, on the other hand you take the view that perhaps in ten or fifteen or twenty years you will have a review of the whole of these relations arising out of the Great War, then in 15 years we shall have done better than the Americans have done with Italy. Of these two views, I am bound to say His Majesty's Government is inclined to the latter." It should perhaps be added that the official American view certainly does not correspond with that of Mr. Churchill to the effect that the settlements will be swept away in ten or fifteen years.

13. Cf. p. 95-96.

14. An inadequate summary of M. Chéron's speech was published in *The Times* (London), August 12, 1929. For the detailed text of the speech, cf. *Le Temps* (Paris), August 12, 1929.

15. For the Financial Agreement of Paris of January 14, 1925, cf. C. Bergmann, *The History of Reparations* (New York, Houghton Mifflin, 1927), Chap. XXXI, p. 290-93.

16. It should also be noted that the Spa percentages were fixed at a time when expectations as to Germany's payments were much larger than in 1929.

17. French experts had already explained that deliveries in kind had been reduced in volume and were to decrease regularly during the 10-year period in which they were to continue. It was furthermore pointed out that the British would continue to collect in cash their own share of the deliveries in kind under the Reparation Recovery Act procedure which had been approved by the experts. (Cf. p. 85-86.)

self to saying that he did not accept "the accuracy of a single figure M. Chéron had put forward." Then followed the remark that he considered M. Chéron's interpretation of British policy with regard to receipts from Germany and out-payments "rather grotesque and ridiculous to any one who understood its full character," and he concluded with a statement concerning the agreement on the Spa percentages, saying that "if one thing was beyond all dispute it was the promise by M. Poincaré to Mr. Churchill that there would be no interference with the Spa percentages on the unconditional annuities. . . . And this was a matter in which the honour of one country at least was involved."¹⁸

After the storm which was set loose by these expressions had been stilled by Mr. Snowden's apologies to the effect that the words used had a different meaning in British parliamentary usage than in French, the atmosphere seems to have been somewhat cleared. Mr. Snowden's position was further strengthened by Mr. MacDonald's telegram, published on August 12, in which the British Prime Minister gave his Chancellor of the Exchequer the following assurance: "Irrespective of party or section, the country supports the case you have made. . . . We have reached the limit of inequitable burden-bearing." It was clear that concessions were in order if Great Britain's consent was to be secured.

MODIFICATION OF THE YOUNG PLAN

As a result of the work of the new Committee of Treasury Experts, and after repeated offers and counter-offers, a basis for the agreement contained in the final protocol of the first session of the Hague Conference was found.¹⁹ The modifications introduced in the original Young plan may be summarized as follows:

1. Great Britain will receive 100 million Reichsmarks out of the 300 million owed by Germany in respect of the last five months of the fifth Dawes annuity (April-August 1929)—a

period in which Dawes and Young plan annuities overlap.²⁰

2. The balance of the surplus due to the overlapping of the Dawes and Young annuities will go to France and Belgium, which in return "guarantee without reserve" the payment to Great Britain—in addition to the annuities allocated to it by the Experts' Report—of an annuity of 19,800,000 Reichsmarks for 37 years as from 1929 "to be paid in sterling in such installments as may be agreed." This amount should therefore be added to the unconditional receipts of Great Britain.²¹

3. Italy will pay and guarantee "without reserve" to Great Britain a "further annuity of 9,000,000 Reichsmarks for 37 years, as from 1929, to be paid in sterling in such installments as may be agreed." Italy will pay this from the claims to which it is entitled "under the agreements of the 10th September, 1929 and the 8th December, 1929, in regard to the costs of liberation and the ceded properties"—that is to say, out of its receipts from the so-called Eastern reparations.²²

4. Great Britain's share in the balance of the unconditional annuity (originally 160 million R.M.) is fixed at 55 million Reichsmarks. In order to make this latter sum available it was necessary in view of other charges to increase the total of the unconditional portion of the German annuities during the first 22 years at the expense of the later period.²³ Moreover, only three of the other creditor powers were given a share in the unconditional annuity. Japan obtain 6,600,000, Yugoslavia 6,000,000 and Portugal 2,400,000 Reichsmarks. The Little Entente powers agreed to surrender their claims to this annuity in return for concessions in their war debts to

20. The British share was to assist in covering the "net outgoings during the year ending the 31st March, 1930 and the current costs of the British Army of Occupation up to the 31st August, 1929."

21. *Ibid.*, Annex I, Sections I, II, and III. It is provided in Article 9 of the *Arrangement between the Creditor Powers (Germany)*, concluded at the second session of the conference (*Hague Agreements*, Document 10, p. 142-45), that France will pay 16,650,000 Reichsmarks and Belgium 3,150,000 Reichsmarks.

22. *Ibid.*, Annex I, Section IV. (Cf. p. 95-96.)

23. While the Young plan provided for an unconditional annuity of 660 million Reichsmarks, including amounts for the service of the German External Loan, 1924, the Protocol of the first session of the conference at The Hague provides in Annex I, Article VII that the unconditional annuity shall be fixed so as to exclude whatever sums are required for the service of this loan. The following modifications in the unconditional annuities have therefore been made:

UNCONDITIONAL ANNUITIES			
Years	Young Plan (In millions of Reichsmarks)	Hague Protocol	Increase or Decrease
1929-30	385	400.3	+15.3
1930-31	660	700.6	+40.6
1931-32	660	699.3	+39.3
1932-33	660	698.0	+38.0
1933-34	660	696.8	+36.8
1934-35	660	695.5	+35.5
1935-36	660	694.2	+34.2
1936-37	660	692.9	+32.9
1937-38	660	691.6	+31.6
1938-39	660	690.3	+30.3
1939-40	660	689.0	+29.0
1940-41	660	687.7	+27.7
1941-42	660	686.4	+26.4
1942-43	660	685.1	+25.1
1943-44	660	683.8	+23.8

18. Cf. *The Times* (London), August 12, 1929.

19. Cf. Great Britain, Foreign Office, *Protocol with Annexes approved at the Plenary Session of The Hague Conference*, Cmd. 3392, Misc. No. 5 (hereafter cited as *Hague Protocol*), August 31, 1929.

France.²⁴ If one includes the payments guaranteed by France and Belgium, amounting annually to 19,800,000 Reichsmarks, and the Italian annuity of 9,000,000 Reichsmarks, Great Britain, as a result of the Hague Conference, will receive a total unconditional annuity of 82,800,000 Reichsmarks.

5. France and Italy, furthermore, revised their respective receipts of deliveries in kind in such a manner as to make France absorb a certain part of the Italian deliveries in the first five years in return for a compensating adjustment during the last five.²⁵ This reduces the peak of the deliveries of German coal to Italy in the immediate future; and as a result of this reduction, "the Italian Government undertakes, on behalf of the Italian State Railways, to purchase one million tons of British coal yearly for three years as from the 15th November, 1929."²⁶

6. Great Britain's right to employ Reparation Recovery Act procedure in collecting its share in the deliveries in kind is specifically recognized and extended into the future in case special programs of deliveries should be arranged

UNCONDITIONAL ANNUITIES (continued)

Years	Young Plan (In millions of Reichsmarks)	Hague Protocol	Increase or Decrease
1944-45	660	682.5	+22.5
1945-46	660	681.2	+21.2
1946-47	660	679.9	+19.9
1947-48	660	678.7	+18.7
1948-49	660	677.4	+17.4
1949-50	660	676.1	+16.1
1950-56	660	612.0	-48.0
Total first 37 years	24,045	23,859.3	-185.7
Annuities 1966-88	660	612.0	-48.0
Total 1966-88	14,520	13,464.0	-1,056.0
Total 1929-88	38,565	37,323.3	-1,241.7

Cf. F. Raab, *Die Ergebnisse der Haager Konferenz*, p. 36. The net result over the entire period is therefore a diminution of the unconditional liability of Germany, but in case of a postponement of transfer during the first 22 years the German responsibility will have been increased. The total of the annuities has not been changed. (Cf. also *Hague Agreements*, Document 2, Annex III, sections I and X.)

24. Cf. p. 98, footnote 74.

25. The modifications introduced in the schedule of deliveries in kind in the Hague Protocol compare with the original provisions of the Young plan as follows:

DELIVERIES IN KIND (In millions of Reichsmarks)

Year	FRANCE		ITALY	
	Young Plan	Hague Protocol	Young Plan	Hague Protocol
1st	408.4	430.9	75.0	52.5
2nd	381.2	398.7	70.0	52.0
3rd	353.9	366.4	65.0	52.5
4th	326.7	334.2	60.0	52.5
5th	299.5	302.0	55.0	52.5
6th	272.3	269.8	50.0	52.5
7th	245.0	237.5	45.0	52.5
8th	217.8	205.3	40.0	52.5
9th	190.6	173.1	35.0	52.5
10th	163.4	140.8	30.0	52.5

Cf. *Hague Protocol*, Appendix 2, Annex (p. 8).

26. The arrangement provides that the price will be f.o.b. and "strictly in keeping with the lowest price obtained under contracts which are concluded at about the same time for the sale of British coal of similar quality, and which are comparable also as regards quantity." It also provides that the Italian government will "abstain from importing reparation coal via sea over and above the maximum quantity of 1,500,000 tons per annum during the said ten-year period." (Cf. *ibid.*, Annex II, Appendix 2.)

after a postponement of transfer. While the same privilege is granted to France, the British have a much more considerable interest in this procedure than France, and this stipulation—of which the significance is discussed below in some detail—can be regarded as the final concession to the British delegation.

It is difficult to estimate the financial value of the concessions made to the British at the first Hague Conference because of the nature of some of the concessions. Members of the British delegation at the conference estimated that the final agreements embodied 80 per cent of Mr. Snowden's original demands, which had generally been appraised as an addition equivalent to a flat annuity of £2,415,000 throughout 37 years.²⁷

THE REPARATION RECOVERY ACT

Great Britain has collected a considerable part of its reparation from Germany since 1921 by means of the Reparation Recovery Act of that year. This law authorized a levy on German imports to Great Britain which was collected in sterling at the time of the entrance of the merchandise, while the German exporter received a corresponding claim on his government in Reichsmarks to be paid from the British part of the reparation payments. This method of payment therefore guaranteed to Great Britain a considerable cash transfer (because of its large direct trade with Germany) while, of course, the transfer of the credits of the other Allies became proportionately more difficult. France later followed the British example but could not benefit as much as the British because of its smaller direct trade with the Germans.²⁸

The Dawes plan restricted the British Reparation Recovery Act procedure to the collection of the equivalent of the British share of the deliveries in kind. And at the first Hague Conference it was agreed that the British and French governments should continue to have the right to such reparation recovery acts "*pari passu* with any deliveries in kind including those furnished under a

27. The relatively small amounts involved in the disputes at the first session of the Hague Conference elicited the remark from one of the German journalists that the British "had been using heavy artillery to kill a sparrow." The present value of the sums involved which have amounted, at 5½ per cent, to £37,852,706.

28. Cf. H. D. Gideonse, *Transfert des Réparations et le Plan Dawes* (Lausanne, Payot, 1928), p. 28-29.

moratorium.”²⁹ Since the levies under the Reparation Recovery Acts are practically cash transfers and since the right to a Reparation Recovery Act levy *pari passu* with any deliveries in kind includes the deliveries in kind furnished under a moratorium, it seems that such levies should be added to the total of the unconditional annuities in order to determine the full extent of Germany’s unconditional obligation.

DELIVERIES IN KIND

The Young plan, moreover, had envisaged the possibility of special programs of deliveries in kind in the event of postponement of transfer of the conditional annuities.³⁰ In order to safeguard the financial and economic interests of the signatory governments, the first Hague Conference provided that the special programs should be submitted to a committee convened by the Bank for International Settlements on which each of the signatory governments should have a representative. This committee would act by a majority vote, but if any member believed that the interests of his government were prejudiced by the decision he might refer it to an arbitrator, who would give a decision within fourteen days.³¹

The first Hague Conference furthermore provided for three committees dealing with deliveries in kind, ceded properties and liquidation of the past, while it also set up the Organizing Committee of the Bank for International Settlements according to the provisions of the Young plan. Further, a Committee of Jurists was appointed, presided over by M. Jaspar, the Belgian Prime Minister. This body was charged with drafting the detailed texts incorporating the various committee reports which would have to be embodied in the “Final Protocol for putting into force the Experts’ Plan,” to be submitted for approval to the second session of the Hague Conference.

29. “That is to say, that of the total amount transferred in any year in Deliveries in Kind (including the quotas under the Reparation Recovery Acts), the quota under the British Reparation (Recovery) Act will amount to 23.05 per cent and the quota under the French Reparation (Recovery) Act to 4.95 per cent.” (*Hague Protocol*.)

30. *Report of the Committee of Experts*, cited, paragraphs 151-3.

31. This arbitrator would be a neutral appointed by the signatory governments acting unanimously. Failing unanimity, he would be appointed by the president of the Permanent Court of International Justice. (*Hague Protocol*, p. 7.) For the general regulations concerning deliveries in kind, cf. *Hague Agreements*, p. 80.

THE RHINELAND AND THE SAAR

Meanwhile the Political Commission of the first Hague Conference had reached an agreement on the evacuation of the Rhineland and on the proposed “Committee of Verification and Conciliation,” of which mention had been made in Articles 1 and 3 of the agreement at Geneva of September 16, 1928.

This political agreement—the existence of which is only mentioned in the final Protocol—may be summarized as follows:

1. Within three months the Belgian and British troops will be completely withdrawn from the Rhineland, while the French troops will evacuate the second zone.

2. The evacuation of the third zone by the French troops will be begun immediately after the Young plan “is ratified by the French and German Parliaments, and put into operation.”³² The evacuation will be as rapid “as physical conditions” will permit and will in any case be completed “at the latest in a period of eight months terminating not later than the end of June, 1930.”

3. With regard to the observance of Articles 42 and 43 of the Treaty of Versailles, which refer to the demilitarized zones on the left bank of the Rhine, the proposal to establish a Commission of Verification and Conciliation is dropped and the powers agree to settle any difficulties in the manner provided in existing agreements and by existing machinery—to wit, the arbitration treaties with Germany concluded at Locarno on October 16, 1925 by Belgium and France. The agreement is subject “to the reservation that the powers of the Council and Assembly of the League of Nations to make investigations under Article 213 of the Treaty of Versailles remain intact. It is also subject to the understanding that each of the Powers who signed the Treaty concluded at Locarno . . . retains the right to lay any difficulty at any time before the Council of the League of Nations in conformity with Article 4 of that Treaty.”³³

The question of the Saar was not included in the agreement and was referred to special Franco-German negotiations.

THE LEAGUE AND THE BANK

Immediately after the first session of the Hague Conference the projected Bank for International Settlements became the subject of debate at the Assembly of the League of

32. Some difference of opinion exists as to whether ratification constitutes the putting into operation of the Young plan, or whether the mobilization of the first share of the unconditional annuity is the test, as M. Tardieu seems to hold.

33. Great Britain, Foreign Office, *International Agreement on the Evacuation of the Rhineland Territory*, Cmd. 3417, Misc. No. 7 (1929), especially p. 2, 5, 16.

Nations. The Norwegian delegate, M. Mo-winckel, at the Eleventh Plenary Meeting of September 10, 1929, pointed out that the stimulation of Germany's business enterprise which resulted from the reparation payments made the problem a truly international one, which would "have a decisive influence on world economy in the years to come," and which would in consequence affect the work of the League itself.³⁴

"I therefore think it desirable," he said, "to bring this question to the notice of the Assembly, and I venture to express the confident hope that the League's interests in this connection will be safeguarded."³⁵

Following this speech, a resolution was submitted by the Danish, Norwegian and Polish delegations in which the hope was expressed that "the provisions setting up the Bank will be framed with due regard to the general principle laid down and enjoined upon League Members in the Covenant."³⁶

This resolution was discussed for three days in the second committee and amended by M. Heldring of the Dutch delegation, whose observations were recorded in the minutes as follows:

"M. HELDRING: Some people might think that the Central Banks, which would have the direction of the new establishment, would tend rather to restrain than to widen the field of its operations. But there was the possibility, and in some people's opinion the probability, that the Bank would play an extremely important part in the future economy of the world. Considering the possibility of this development, the necessity of adopting certain special preventive measures, which up to the present were lacking, became evident.

"It was especially difficult to conceive of so important a Bank carrying out operations from year to year without being under the obligation to give annual publicity to these operations; and, furthermore, it did not seem right that, when the Bank ceased to be primarily a Bank for Reparations, and when its other activities took on an increasingly greater importance, the distribution of the seats on the Board of Directors should remain as they were at present according to the organization plans.

34. He drew attention to Article 24 of the Covenant of the League of Nations which stipulates that: "There shall be placed under the direction of the League all international bureaux already established by general treaties, if the parties to such treaties consent. All such international bureaux and all commissions for the regulation of matters of international interest hereafter constituted shall be placed under the direction of the League."

35. League of Nations, *Bank for International Settlements*, Extracts from the Minutes of the 10th Ordinary Session of the Assembly, etc., 1929.II.41, p. 1.

36. *Ibid.*, p. 2.

"He also viewed with alarm the idea that all the changes in the statutes of the Bank would be left entirely to the discretion of the Directors, however great the confidence placed in their prudence and wisdom."³⁷

The resolution was opposed by both the German and French delegations,³⁸ which drew attention to the fact that the attitude of the United States might create complications. This was done by Dr. Breitscheid for Germany in the following terms:

"And then we must not neglect the fact that the Covenant of the League of Nations was created at a moment when there had been every reason for us to suppose that it would have a really universal character. We all agree in regretting that this is not the case for the moment. There are important States which are not, as yet, members of the League of Nations, States whose importance is greatest precisely where the problem under consideration is concerned. I will not insist further on this subject, but the next question seems to me to deserve a careful examination—the question of knowing what would be the attitude of these States towards a new state of affairs created by collaboration between the League of Nations and the International Bank. If we try to move too quickly, complications may arise which would have disagreeable results for us all."

M. Loucheur of France finally proposed that the creditor governments should transmit the minutes of these discussions in the Assembly to the committee which was to draft the statutes of the new bank at Baden-Baden; and the Norwegian delegate, in view of M. Loucheur's declaration that the interested governments would "endeavour as far as possible to meet the observations" which had been made and "to take into account the considerations" which had been urged, withdrew his resolutions. He, however, closed his speech with the following paragraphs:

"Further, it is understood that we reserve the right common to all the Members of the League of Nations to raise again, if necessary, the question of the steps to be taken to co-ordinate the activities of the Bank and those of the League of Nations.

"We agree with the delegate of France that the League must be given credit for the fact that, owing to its existence, it has rendered this discussion possible. We believe the discussion in several respects has been useful, and the dis-

37. *Ibid.*, p. 5.

38. *Ibid.*, p. 11.

cussion without the League would have been inconceivable. We thank the delegate of France for the liberal understanding which he has shown

on this occasion, and which we hope will be still further displayed during the later development of the question."³⁹

THE CONFERENCE AT THE HAGUE: SECOND SESSION

At the opening of the second session of the Hague Conference on January 3, 1930 the various committee reports were on hand, although not in a complete form, since several difficulties had been referred to the conference for final settlement. The various national delegations (except that of Germany) had changed little in composition, but the effort to clear up the entire problem of Eastern and Central European reparations had brought additional delegations from countries not represented before. In August 1929 there were 14 delegations; in January 1930, 19 countries were represented aside from Switzerland, which had been invited to take part in the labors of the conference in view of the fact that the Organizing Committee for the Bank for International Settlements had chosen Basle as the seat of the institution. The newcomers were Austria, Hungary and Bulgaria, while Australia and New Zealand were now directly represented, as well as Canada. The work of the conference naturally fell in two parts, which were allocated to special commissions, the first (Commission A) on German reparation, under the leadership of M. Jaspar, and the second (Commission B) on non-German reparation, presided over by M. Loucheur.

Aside from the approval of the charter, the statutes and the trust agreement of the Bank for International Settlements, the three principal items of business concerning German reparation before the conference were: first, the sanctions to be imposed in case of German failure to live up to the requirements of the new settlement; secondly, the changes in the share of the United States in the German annuities to be introduced by the separate German-American agreement; and thirdly, the details of the procedure to be followed in case of a moratorium and in case of mobilization of the unconditional part of the annuities.

39. *Ibid.*, p. 14. The charter and statutes of the Bank for International Settlements, which were subsequently drafted at Baden-Baden and adopted at the second session of the conference at The Hague, attempted to meet all the objections which had been raised at Geneva. (Cf. p. 92.)

THE POSSIBILITY OF GERMAN DEFAULT

The Young plan recommended the abolition of all of the inter-allied machinery, including the Reparation Commission. But as the right to reoccupy the Rhineland—accorded under Article 430 of the Treaty of Versailles—was dependent upon the establishment by the Reparation Commission of a default by Germany, it was necessary to establish whether the recommendation of the experts abolishing the Reparation Commission involved the disappearance of the right to military sanctions, or whether the Special Advisory Committee which was to be set up under the plan would have the right to establish default.

Nationalist agitation in Germany and the remark ascribed to Dr. Stresemann that the Young plan might be considered "good for 10 years" had created an impression in France that it was not inconceivable that Germany might at some later date, under another government, deliberately destroy its own budget equilibrium or simply refuse to reform its financial system, without which the success of the plan would admittedly be in doubt. As the "controls" of the Dawes plan were to disappear, this created a demand for a substitute and France therefore demanded guarantees in case of a voluntary default by Germany.⁴⁰

The attitude of the various delegations toward these guarantees or sanctions was described in a telegram from the correspondent of the *London Times*:

40. Although the Reparation Commission is to be abolished, together with all the other inter-Allied machinery, it seems rather an overstatement to speak of the removal of "all" foreign control in the debtor country when one considers that practically all vitally significant paragraphs of both the Reichsbank and Railway Company Laws are conventionally consolidated. (Cf. *Hague Agreements*, Document 2, Annex V and VI.)

The mere removal of foreign appointees does not alter the fact that autonomy, as far as these vital economic functions are concerned, has been lost for the period of the payments under the New Plan. (Cf. K. Singer, "Reichsbank und Reich," *Wirtschaftsdienst*, January 1930, p. 133-136.) Thus the Young plan requires the German Railway Company to pay a Reich tax amounting to 660,000 Reichsmarks annually as a contribution to the reparation annuity. It is to be paid directly into the account of the Bank for International Settlements at the Reichsbank. This "collateral guarantee" is supplemented by the assignment to their service of the proceeds of the customs, tobacco, beer and alcohol duties—a stipulation similar to those found in the Dawes plan. (Cf. *Hague Agreements*, p. 38-40.)

"The German argument is that the Young plan places the whole reparation transaction on a purely commercial basis, and that, as the Young plan in the German interpretation recommends, political-military treaty provisions should be abolished. The Germans profess to fear that France might find some pretext for applying Article 430; the French profess to fear that another German Government, under the influence perhaps of the Hugenberg nationalists, might default deliberately, and that it would be as hard for M. Tardieu to face the Chamber after surrendering Article 430 as for Herr Curtius to face the Reichstag without an assurance that it could not be applied. It is admittedly an academic issue raised for home political reasons. The more the reparation debt is commercialized, the more impossible it becomes for Germany to default. No country could risk the blow to its credit which the failure to keep faith with international private bondholders would deal. In the British view the possibility is so remote that there is no point in discussing it."⁴¹

The settlement of this question—which is primarily of political rather than of economic interest—is found in Annex I to the agreement with Germany of January 20, 1930. This consists of two declarations, the first by the Belgian, British, French, Italian and Japanese governments and the second by the German government. In the former it is stated that the New Plan rests on the principle that the complete and final settlement of the reparation question is of common interest to all the countries concerned and that the attainment of the object of the plan would be impossible "without mutual good will and confidence."

The declaration then continues:

"There remains, however, a hypothesis outside the scope of the Agreements signed today. The Creditor Governments are forced to consider it without thereby wishing to cast doubt on the intentions of the German Government. They regard it as indispensable to take account of the possibility that in the future a German Government, in violation of the solemn obligation contained in The Hague Agreement of January 1930, might commit itself to actions revealing its determination to destroy the New Plan.

"It is the duty of the Creditor Governments to declare to the German Government that if such a case arose, imperilling the foundations of their common work, a new situation would be created in regard to which the Creditor Governments must, from the outset, formulate all the reservations to which they are rightfully entitled.

"However, even on this extreme hypothesis, the Creditor Governments, in the interests of

general peace, are prepared, before taking any action, to appeal to an international jurisdiction of incontestable authority to establish and appreciate the facts. The Creditor Power or Powers which might regard themselves as concerned, would therefore submit to the Permanent Court of International Justice the question whether the German Government had committed acts revealing its determination to destroy the New Plan.

"Germany should forthwith declare that, in the event of an affirmative decision by the Court, she acknowledges that it is legitimate that, in order to ensure the fulfilment of the obligations of the Debtor Power resulting from the New Plan, the Creditor Power or Powers should resume their full liberty of action.

"The Creditor Governments are convinced that such a hypothetical situation will never in fact arise and they feel assured that the German Government shares this conviction. But they consider that they are bound in loyalty and by their duty to their respective countries to make the above declaration in case this hypothetical situation should arise."

In the German declaration, which followed it, the procedure is accepted as legitimate, while:

"As regards the second part of the declaration and the hypothesis formulated in this declaration, the German Government regrets that such an eventuality, which for its part it regards as impossible, should be contemplated."⁴²

It is noteworthy that the Treaty of Versailles is not mentioned in either of the declarations.

In the debate in the French Chamber on the ratification of the Hague agreements, M. Tardieu declared that if Germany refused to execute the plan, France would recover its freedom of action. The Permanent Court of International Justice would determine whether or not Germany had refused to live up to its obligations. If Germany failed to accept the award of the Court, the League Council would be obliged under Article 13 of the Covenant to insure its execution. In case the Council was not unanimous, France could act alone. In reply to insistent questioning from the leaders of the Left, and particularly MM. Herriot and Blum, M. Tardieu explained that such action on the part of France would always remain within the general provisions of the Briand-Kellogg treaty.⁴³

⁴². Cf. *Hague Agreements*, p. 28-29.

⁴³. Cf. *Le Temps*, March 30 and 31, 1930.

⁴¹. Cf. *The Times* (London), January 6, 1930.

THE U. S. AND GERMANY'S OTHER CREDITORS

The special agreement concluded between the United States and Germany on December 28, 1929 provided for a separate settlement of the share in the reparation debt due to the United States for claims and reparation costs. This placed Germany on the same basis as the other debtors of the United States in respect to their debt-funding agreements. Thus the United States government agreed to regard Germany's loyalty, faith and credit as sole security and guarantee for the fulfillment of its obligations. The United States also specifically undertook not to capitalize German certificates of indebtedness; moreover, it also gave Germany the right to postpone payment—as distinct from transfer—for 2½ years (not 2 as in the Young plan).

The German-American agreement was of course concluded independently of the Hague Reparation Conference.⁴⁴ Nevertheless, the creditor powers believed it necessary to protect themselves against any inequality of treatment as between the different creditors. They therefore required assurances from Germany that it would not exercise in relation to any one of the creditor powers

“the rights of postponement which it possesses under the agreements already signed or initialled without exercising at the same time any similar rights which it may possess in relation to all the other Powers whose claims are included in the annuities, as set out in the Experts' report of the 7th June, 1929. Moreover, in the future the German Government will not, in connection with postponement, give any special advantage to any one of those Powers. Nothing contained hereinabove shall be construed as impairing in any way Germany's rights and obligations under the agreements already signed or initialled.”⁴⁵

GERMAN LOANS AND REPARATION

Under the New Plan, the Bank for International Settlements may upon the request of any of the creditor governments require

44. In a letter of March 3, 1930 to President Hoover, Secretary Mellon declared that “there was no justification at this late date for involving our country in the responsibilities of collecting and distributing reparation payments, which adoption of the Young plan would necessitate. Very obviously we could not avail ourselves of the machinery provided for by the Young plan and at the same time refuse to accept any of the responsibilities. We have, however, a very direct interest in the recommendations made by the experts' committee.” (*New York Times*, March 6, 1930.)

45. “Exchange of Notes Concerning the Agreement between Germany and the United States,” *Hague Agreements*, p. 134.

Germany to issue bonds for all or any part of the unconditional portion of the annuities. The discussion of the terms of the first loan toward this mobilization of the non-postponable portion of the annuities brought up the question of Germany's right to float other loans in advance of the first reparation financing. M. Tardieu was particularly insistent that this point should be cleared up because of the loan for which the German government had already contracted with the Swedish Match Company by an act dated October 26, 1929. As a result of these discussions the German government undertook not to issue any fresh long-term loans before the issue by the Bank for International Settlements of a \$300,000,000 loan which must take place before October 1, 1930. If necessary, this date may be extended to March 31, 1931.

Meanwhile negotiations conducted by M. Tardieu and M. Ivar Kreuger (representing the *Svenska Tandsticke Aktiebolaget* of Stockholm, and *N. V. Financieele Mij. Kreuger & Toll* of Amsterdam) resulted in a declaration by M. Kreuger to the German Finance Minister to the effect that the above-mentioned loan by the Swedish match interests to the German government would not be offered for public subscription until after June 30, 1933 and that the German government and the Swedish match interests undertook to see to it that “the service of this loan should never give rise to any discrimination to the prejudice of the service of the unconditional annuities.”⁴⁶

The German government will have “the right to participate” in the first mobilization issue to the extent of one-third of its principal for domestic purposes. The Bank for International Settlements will arrange for the service on both the reparation and the domestic part of the issue.

In the debt certificate of the German government, which is to be deposited in the Bank for International Settlements together with the required number of annuity coupons, the obligations of Germany as they result from the New Plan are set out formally.⁴⁷ For the most part the statement fol-

46. Cf. “Arrangements as to the Financial Mobilisation of the German Annuities,” *Hague Agreements*, p. 135-38.

47. For size of annuities, cf. Annex I, p. 100.

lows the terms of the Young plan textually, but it formulates with more precision the position of Germany in case of a postponement of transfer of the conditional part of the annuity, and the functions of the Special Advisory Committee which will have to be appointed in such a contingency. Thus it provides that:

"The German Government, by giving at least 90 days' previous notice, shall have the right to suspend for a maximum period of two years from its due date all or part of the transfer of the postponable part of the annuity. Transfer postponement thus declared shall affect the postponable annuity as and from that date on which transfer postponement becomes effective.

"If, during any annuity year, the German Government shall avail itself of this power, the transfers falling due during any second year cannot be postponed for more than one year from their respective due dates, unless and until the transfers due during the first year shall have been effected in full, in which case the transfers due during such second year may be postponed two years from their respective due dates; and the transfers due during any third year cannot be postponed at all until the transfers due during the first year have been effected in full.

"At any time when postponement of transfer is in effect but not until one year after it has become effective, the German Government shall have the right to postpone payment for one year of 50 per cent of any sum the transfer of which shall then be susceptible of postponement under the conditions stated above. This percentage

may be increased upon the recommendation of the Advisory Committee provided for in part 8 (e) of the Report of the Experts of 1929."

The clause on the Special Advisory Committee has become somewhat more strict:

"In the event of any declaration of postponement made by Germany or at any other time when the German Government declares to the Creditor Governments and to the Bank for International Settlements, that it has come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities, the Bank for International Settlements shall convene the Special Advisory Committee mentioned in Chapter 8 (e) of the Experts' Plan of the 7th June, 1929.

"The Special Advisory Committee shall forthwith consider the situation in all its aspects, as provided in the Plan, and shall indicate for consideration by the Governments and the Bank what, in their opinion, are the measures that should be taken in regard to the application of the Plan. In application of Article 124 of the Report of the Experts of the 7th June, 1929, any recommendation of the Committee affecting the rights of the Creditor Governments shall not bind the Creditor Governments unless it is accepted and confirmed by the Creditor Governments who participated in the decision of September 16, 1928, to set up the Committee of Experts. Similarly, any recommendation affecting the rights of the German Government shall not bind the German Government unless it is accepted and confirmed by that Government."⁴⁸

48. Cf. "Debt Certificate of the German Government," *Hague Agreements*, p. 36-37. A German proposal to fix the dates upon which the payments of the annuities should take place at the end of the month was unacceptable to the creditor countries, which claimed that the payments were due on the fifteenth of each month. They intended to use the difference in interest between the payments made on the fifteenth as compared with the end of the month to meet the concessions which had been made to satisfy the British demands at the first session of the conference. According to the rate of interest used, this difference was estimated at from 5 to 8 millions of

Reichsmarks annually. The allied experts claimed that while the date had not been specifically mentioned in the plan, the fifteenth had been used as the basis of calculations, and the German delegation—after having called to its aid Dr. Schacht, president of the Reichsbank, and Dr. Kastl, director of the *Reichsverband der deutschen Industrie* and one of the German experts on the Young Committee—finally agreed to an arrangement whereby the payments should be made "by equal monthly installments on the fifteenth of each month and if the fifteenth is not a working day then on the working day next following." (*Ibid.*, p. 31-32.)

THE BANK FOR INTERNATIONAL SETTLEMENTS

The Young committee, for the purpose of establishing permanent, non-political machinery for the collection and transfer of reparation, had recommended the establishment of a Bank for International Settlements. While "the essential reparation functions of the bank were such as to form a solid reason for its existence," the experts were "led inevitably to add to those reasons the auxiliary but none the less material advantages it might have in the general position of present international finance."⁴⁹ They were therefore careful not to limit the scope of its operations too rigidly, and in order to avoid political tinkering with the new machinery made rather extreme provisions for its independence from political authority.

The entire administrative control of the Bank was to be vested in a Board of Directors, composed first of all of the governors of the central banks of the seven countries from which the membership of the Young committee had been drawn, or by their nominees. Each of these directors was entitled to appoint another director of his own nationality, while France and Germany were each granted the right to a third directorship during the period of the German annuities. Nine additional directors were to be elected by the original 14 (or 16) directors from a list of candidates drawn up by the governors of the central banks of the 11 other countries participating in the share ownership of the Bank.

The authorized capital of the Bank was fixed at the equivalent of \$100,000,000 (500,000,000 Swiss francs), divided in 200,000 shares of equal value. Of these shares 44 per cent could be offered to the central banks of countries other than the original seven which were represented on the Young committee.

The Organizing Committee for the Bank for International Settlements, which had

been set up at the first Hague Conference in accordance with the recommendations of the experts, modified these proposals considerably during its meetings at Baden-Baden. The debates at the Assembly of the League of Nations and discussions in central banking circles had made a deep impression⁵⁰ and left their mark on the decisions of the committee as finally adopted at the second session of the conference at The Hague.⁵¹

The legal foundation for the Bank for International Settlements is a convention between Switzerland on the one hand and Belgium, France, Germany, Great Britain, Italy and Japan on the other, providing for the establishment of the institution. The Swiss government undertakes to grant a charter for 15 years as soon as the necessary domestic legislation has been passed, and further to obtain the assent of the Swiss people to the grant of a charter for the entire period of the Bank's existence. The charter is included in the convention, while the statutes of the Bank are given in an annex.

STATUTES OF THE INTERNATIONAL BANK

The statutes underlined the international character of the institution—as contrasted with its reparation functions—by providing that in their arrangements for the issue of portions of the authorized capital to banks of countries other than those which participated in the original subscription the directors should give "consideration to the desirability of associating with the Bank the largest possible number of central banks." Such countries must have currencies which in the opinion of the Board satisfy the practical requirements of the gold or gold exchange standard.⁵² It was furthermore provided in the statutes that elections to vacancies on the Board should be made by the entire Board and not merely by the representatives of the banks of the seven countries interested in reparation. The term of membership on the Board was further-

49. For a detailed analysis of the Bank for International Settlements as it appeared in the Young plan, cf. H. D. Gideonse, "The International Bank and the Young Plan," *Editorial Research Reports* (Washington, D. C.), September 17-21, 1929. Cf. also the collection of critical essays edited by E. Welter, under the title *Die Reparationsbank*, (Frankfurt, 1929), including contributions by Hahn, Lansburg, Lautenbach, Neisser, Palyi, etc.; also Paul Einzig, *The Bank for International Settlements*. (Macmillan, 1930.)

50. Cf. p. 86-88.

51. Cf. "Convention with Switzerland respecting the Bank for International Settlements," *Hague Agreements*, p. 110-128.

52. *Ibid.*, p. 115-116.

more reduced from five to three years. These provisions have undoubtedly given the institution a broader international basis and a greater elasticity so as to meet possible future developments.

While the Young plan would have made the Bank for International Settlements autonomous by providing that the Board would have the right to alter the statutes,⁵³ that is to say, to enlarge or restrict the institution's scope of activity, the statutes provide that all amendments must be proposed by a two-thirds majority of the Board to the General Meeting in which representatives of all the interested central banks—whether represented on the Board or not—will participate. The General Meeting may adopt such amendments by majority vote. In the case of certain specified articles, however—including almost all the important articles of the statutes, such as those concerned with location, objects, capital, voting power and profits—amendment by the General Meeting must be sanctioned by a law supplementing the charter. The significance of this provision is that the law in question must necessarily be a Swiss law. Switzerland by Article 1 of the *Convention respecting the Bank for International Settlements* undertook to grant the constituent charter, and “not to abrogate” it, “nor to amend or add to it and not to sanction amendments to the Statutes of the Bank” except after “agreement with the other signatory Governments.”⁵⁴ Thus, if amendments are to take effect, the international convention between the powers and Switzerland will have to be modified and this therefore places the Bank under the political control of the signatories of the convention—each power having a veto—in case of a change of its policy or field of operations.

BANKING FUNCTIONS

The statutes of the Bank make it clear that the Organizing Committee viewed the institution as a bank of central banks.⁵⁵

53. Cf. *Report of the Experts*, Annex I, Section IV, Article 1.

54. *Hague Agreements*, Article 1, p. 110 and Annex, Articles 59-60, p. 128.

55. Following the announced opposition of Dr. Schacht, head of the German Reichsbank, to certain features in the Young plan, Germany and the creditor powers agreed to the inclusion in the agreement with Germany of a provision to the effect that the functions imposed upon presidents of central banks would be performed in Germany by the president of the Reichsbank. It is further stipulated that in future the election of

Special precautions were taken to prevent it from dealing through agencies other than the central banks, except with the consent of the central banks concerned, and sweeping rights of veto were granted to the respective central banks in the case of operations in their particular market or currency, as follows (Article 20):

“The operations of the Bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

“Before any financial operation is carried out by or on behalf of the Bank on a given market or in a given currency the Board shall afford to the central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the Board shall specify, the proposed operation shall not take place.”⁵⁶

Definite prohibitions were imposed with regard to the right to issue notes and to engage in the acceptance business. Both of these questions had aroused a good deal of speculation in banking circles, and the possibility that the Bank might enter the acceptance field had caused especially unfavorable comment in leading British financial circles, where the prospect of competition in a field where the London market enjoys a peculiar advantage was not relished.⁵⁷

The composition of the Board, together with these provisions, makes it very unlikely that the Bank for International Settlements will engage in competition with existing financial institutions and as the editor of *The Economist* has observed, it is indeed “much more likely that the Bank for International Settlements, at least in its early stages, will do too little rather than too much, and the one service which it can be confidently expected to contribute to the international financial situation of the world is that it will promote the first object laid

the president of the Reichsbank by the General Council of the Bank must be confirmed by the president of the Reich, who must sign the deed of appointment, while the Reich government must be consulted in case of the election of members of the General Council. (*Hague Agreements*, Article 21, p. 43.)

56. *Hague Agreements*, p. 117.

57. Cf. *Ibid.*, Article 25, p. 119. The Young plan, following central bank traditions, had fixed 25 and 40 per cent as minimum reserve percentages for time deposits and sight liabilities. But as the Bank for International Settlements is to have a very different set of functions and will not have a currency to regulate or notes to issue, such requirements would have hampered the institution. The statutes of the Bank therefore do not fix minimum reserve percentages. For a critical view of this omission, cf. Paul Einzig, cited, Chap. VIII.

down in its Statutes, namely, the cooperation of central banks."⁵⁸ The regular meetings of the governors of the various central banks will undoubtedly be a powerful influence toward the coordination of central banking policy.

In summing up the work of the experts one may recall a remark made by Mr. T. W. Lamont after the Young committee had concluded its sessions in Paris to the effect that the Bank has two sets of functions—the first springing directly from the requirements of

the reparation problem, and the second, of a broader type, to be made use of only if a practical and specific need for them developed in international economic life.⁵⁹

The experts, strongly under the influence of what has been described as "the conservatism of central bankers," seem to have placed the second set of functions—the "permissive" ones—first, and to have limited the possibilities of usefulness of the first set, the so-called "obligatory" or reparation functions.

EVALUATION OF THE NEW PLAN

While economists disagree as to the ultimate possibility of a successful discharge by Germany of the amounts contemplated in the Young plan, few serious doubts have been expressed that the present arrangements will hold for at least another decade.⁶⁰ The reform of the German financial system, according to some authorities, should make the internal burden in Germany a comparatively easy one to bear.⁶¹ This, however, has not been seriously undertaken thus far, particularly, perhaps, because of the bearing which the size of the budget had on the operation of the prosperity index of the Dawes plan. Meanwhile, throughout the period in which Germany cannot achieve what the Germans call a "real transfer"—that is an economic transfer in the form of a relative increase in exports and services as compared to imports—it will continue to transfer as it has done since the beginning of the operation of the Dawes plan. That is to say, its capacity to pay abroad will be determined largely by its capacity to borrow abroad.⁶²

Meanwhile additional borrowing will put pressure on the ability to transfer the conditional part of the annuities, while augmenta-

tion of Germany's exports and services is likely to make the creditor countries envisage the entire problem in a different manner.

The reparation problem has evolved from the stage in which the capacity to pay of the debtor country has been displaced at the center of interest by the capacity of the creditor countries to receive. The organization of the Bank for International Settlements which "should be prepared to promote the increase of world trade by financing projects, particularly in undeveloped countries, which might otherwise not be attempted through the ordinary existing channels," is a good index of the progress in understanding which has accompanied this development. The Bank represents the recognition by the experts that a considerable percentage of the postponable part of the annuities will never be realized by the creditor countries unless they make special efforts to receive these payments—unless, in other words, the reception of German goods abroad is organized and financed by the creditors themselves.

There is no doubt that to many Germans the most important clause in the New Plan is the one providing for the creation of a Special Advisory Committee to indicate "for consideration by the Governments and the Bank what, in their opinion, are the measures that should be taken in regard to the application of the Plan" in case of postponement of the transfer of the unconditional part of the annuities. It is recognized, however, that revisions in the future will be more difficult "as everything is now tied up

58. Cf. *The Economist* (London), November 16, 1929, p. 899.

59. *World Trade*, July 1929.

60. Cf. J. M. Keynes, "The German Transfer Problem," *The Economic Journal*, March 1929, and subsequent issues; F. W. Taussig, "Deutschlands Internationaler Handel und das Reparationsproblem," *Archiv für Sozialwissenschaft*, October 1928, p. 225-50; B. Ohlin, "Is The Young Plan Feasible?" *Index*, February 1930; also the comprehensive study by Prof. J. W. Angell, *The Recovery of Germany*, published in 1929 by the Yale University Press.

61. Gustav Stolper, *Ein Finanzplan* (Berlin, Der Deutsche Volkswirt, 1929). Stolper expects an increase in the formation of new capital of about two billion Reichsmarks from a tax reduction of, roughly, 750 million Reichsmarks.

62. Cf. Angell, *The Recovery of Germany*, cited, p. 356.

with the interallied debts and would consequently require the official collaboration of the United States."⁶³ The Concurrent Memorandum⁶⁴ which established an official link between reparation receipts and interallied debt payments (out-payments) and which accompanied the Experts' Plan of June 7,

1929, has become an official part of the New Plan by an agreement which was signed at the end of the second session of the Hague Conference.⁶⁵ A further revision of reparation seems to depend upon the willingness of the United States to revise the war-debt settlements.^{65a}

THE SETTLEMENT OF EASTERN REPARATIONS

While the settlement of the German reparation question was the most important result of the two Hague Conferences, the liquidation of the so-called Eastern reparations was also of great economic and political significance.

The protocol drafted during the first session of the Hague Conference provided for the appointment of a technical committee charged with the duty of preparing detailed recommendations in regard to "the final settlement of the reciprocal claims of the Creditor Governments in respect of ceded properties and liberation debts, and the final settlement of the liabilities of the Debtor Governments under the Treaties of St. Germain, the Trianon and Neuilly."⁶⁶ The Belgian, British, French, Greek, Italian, Japanese, Polish, Portuguese, Rumanian, Yugoslav and Czechoslovak governments were each to appoint two members to this committee while the Austrian, Hungarian and Bulgarian governments were to nominate two members when their interests were concerned.

This committee met in Paris on September 16, 1929 and continued its meetings until the

end of November, when it adjourned, postponing many decisions to the second session of the Hague Conference. Here Commission B on non-German reparation, presided over by M. Loucheur, wrestled with many intricate problems.⁶⁷

In considering the problem of Eastern reparations it is necessary to bear in mind three main sets of financial claims:

1. The Allied claims against Austria, Hungary and Bulgaria for reparation. The payment of such reparation was placed under the guarantee of Germany in the Dawes plan but Germany was freed from this contingent liability by the Young plan. When the Spa percentages were fixed, Italy had been promised 25 per cent of the Eastern reparations. It was the removal of the German guarantee, together with the decision to revise the whole of the Eastern reparations, described below, which had led to Italy's demand for compensation.⁶⁸

2. The Allied claims upon Czechoslovakia, Jugoslavia, Rumania and Poland to make a contribution toward the expenses which had been incurred by the Allies in liberating the people of these territories. The amount of this contribution, called the liberation debt, was fixed in 1919

63. Gustav Stolper, in *Der Deutsche Volkswirt*, June 7, 1929.

64. This was signed by all but the American experts.

65. Cf. *Hague Agreements*, p. 129-33.

65a. Before the second Hague session was terminated an important series of "liquidation agreements" was also concluded to settle certain problems which had grown out of the liquidation of private German property in eight different countries. Under Part X of the Treaty of Versailles the Allies had been authorized to liquidate private German property and to apply the proceeds to the payment of debts owed by Germans to Allied nationals, keeping the balance as part of Germany's reparation payments. Although the German government agreed to compensate its nationals for their property thus liquidated, objections were raised to the arrangement in various quarters on the ground that it was unethical to use private property to pay government claims. The extent to which the various Allies took advantage of Part X of the Versailles Treaty differed. (Cf. F. P. A. *News Bulletin*, Vol. IX, No. 7, and *The Economist*, London, November 23, 1929, p. 972-3.) Final arrangements for terminating this process of liquidation were embodied in the following treaties: Germany-Belgium, July 13, 1929 and January 16, 1930; Germany-Poland, October 31, 1929; Germany-Great Britain, December 28, 1929; Germany-Canada, January 14, 1930; Germany-Australia and Germany-New Zealand, January 17, 1930; and Germany-Italy, January 20, 1930. (Cf. Germany, *Entwürfe zu den Gesetzen über die Haager Konferenz und die Sonder- und Liquidationsabkommen*, Part V, Berlin, Reichsverlagsamt, 1930.)

66. *Hague Protocol*, Article 4 b, p. 3.

67. Among those who expressed impatience at the slow progress of this commission was Mr. Snowden. On January 18, 1930 *The Times* (London) reported Mr. Snowden as saying that the committee "had apparently been discussing things for a fortnight and doing nothing but talk. . . . In his [Mr. Snowden's] opinion there were only two courses open: the postponement of the conference till the Day of Judgment or locking up the representatives of the countries concerned in a room, without food or drink, until they came to an agreement. On the whole he preferred the second course and proposed it." When the delegates later on pointed out that part of the difficulty was caused by the British demands of August 1929, "Mr. Snowden is understood to have told the Italian delegates informally that he did not ask in August where they were going to find the money, and did not ask now, but he expected it to be paid." (*The Times*, London, January 20, 1930, p. 11.)

68. The schedule of payments—totalling 132 billions of gold marks (drawn up by the Reparation Commission on April 27, 1921 and officially confirmed on May 5, 1921). It covered, according to the provisions of Articles 231, 232 and 233 of the Treaty of Versailles, the responsibility of Germany and its allies, which Germany had accepted. The obligations have never been clearly separated, although there is some evidence that the German part of this total was intended to be fixed at 112 billion gold marks, leaving 20 billions for Austria, Hungary and Bulgaria. (Cf. Furst, *De Versailles aux Experts*, cited, p. 86-88.) When the German annuity was fixed at 2½ billion Reichsmarks by the Dawes plan, a contingent liability for the obligations of Germany's allies was provided for. The Young plan removed this contingent liability and recommended a final settlement of all the pending questions including the Eastern reparations.

at 1,500,000,000 gold francs.⁶⁹ In a separate agreement, moreover, Italy also undertook to make a contribution toward reparation and toward the cost of liberating its share in the territories of the former Austro-Hungarian Empire.

3. The claims of the Hungarian government upon the new States of Central Europe for compensation because of losses incurred under the latter's agrarian reforms by Hungarian nationals.

The settlement of Eastern reparations involved the adjustment of all three of the above claims. Before the Hague Conference the Little Entente powers had come to regard the liberation debt as a paper agreement. Apparently they had made no payments under it. But the British demand for an increased share in the German annuities, together with the reduction in the Allied claims on Eastern reparations, involved certain concessions by Italy which had led Italy in turn to revive the question of the liberation debt. The Little Entente powers, on the other hand, were unwilling to reduce their reparation claims upon Austria and Hungary until they were certain that the liberation debt would not be pressed and that certain limits would be set to the claims of Austria and Hungary. In order to facilitate the settlement of these complicated problems the great powers virtually renounced all their share in non-German reparation receipts.⁷⁰

The reparation settlements affecting Austria, Bulgaria and Hungary are summarized below.

AUSTRIA

The elements for a decision in the Austrian case were already available at the meeting of the Paris Committee. The most important revenue sources of Austria had been released from reparation priority for the Reconstruction Loan of 1923; and in addition to this the governments holding Austrian Relief Bonds had in 1928 extended the date of payment for 40 years on condition

that Austria should not pay any reparation or compensations during that period.

As a result of the Paris negotiations, Rumania waived its claims upon Austria for compensation for deliveries made to the Central Powers under the Treaty of Bucharest of May 7, 1918. The few minor claims of Poland and Czechoslovakia were also cancelled in the final settlement which was signed on January 20, 1930 at The Hague. Under this arrangement the only obligation which will rest with Austria will be an annuity of one million gold crowns (roughly \$200,000) to reimburse Italy for administrative and relief expenditures arising out of the dismemberment of the Austro-Hungarian Empire in 1918. This annuity, which will begin in 1943 and last 23 years, has removed one of the main points of friction between Austria and Italy.

BULGARIA

Under the Treaty of Neuilly, Bulgaria was to pay 2,250,000,000 gold francs for reparation. This total was reduced in March 1923 to 550 million gold francs and Bulgaria was called upon to pay annuities beginning at 5 million francs and rising gradually to 43 million, making an average of 33 million gold francs. The Bulgarian earthquake upset most of these arrangements because of the terrific loss it caused in the Bulgarian economy. Partly as a consequence of this misfortune the Paris committee proposed an average annuity of only 15 million gold francs for Bulgaria. After a good deal of acrimonious negotiation, the Bulgarian delegates left Paris; but in later negotiations—not officially recognized by the Paris committee—the amount was further reduced to 12½ million gold francs; and after renewed pleas of the Finance Minister, M. Buroff, the larger creditors seemed willing to forego the million and a half gold francs which were to go to them, thus leaving the total average annual payment to the creditors at slightly more than 11 million gold francs. Difficulties with Rumania because of a difference between the Rumanian and Bulgarian claims for ceded property were ultimately settled by an agreement providing for a payment to Rumania of 110 million lei in two equal installments, the first of which would be payable three months

69. H. W. V. Temperley, *A History of the Peace Conference of Paris*, Vol. V, p. 374. The Agreement with regard to the Contributions to the Cost of Liberation, signed at St. Germain-en-Laye on September 10, 1919, stipulated that Poland, Rumania, Czechoslovakia and the Kingdom of Serbs, Croats and Slovenes were to pay 1,500,000,000 gold francs, to be assessed among them by the Reparation Commission by calculating the proportion of the average revenue derived in 1911-1913 by the Austro-Hungarian monarchy from the territories which the respective Succession States had acquired. On November 4, 1924 the Reparation Commission had established the following figures: Poland, 225,495,000 gold francs; Rumania, 235,140,000; Jugoslavia, 78,035,000; and Czechoslovakia, 750,000,000. By a special agreement Italy was assessed 59,252,000 gold francs. None of these arrangements seems to have been executed.

70. Cf. *Hague Agreements*, p. 13.

after notification, and the second within a year.

In the final agreement the Bulgarian payments are carefully graded: 5 million gold francs on April 1, 1930 and thereafter annually 10 million gold francs for ten years, 11 million for the next ten years, and 12,515,238 gold francs for a further sixteen years. All these annuities will be subject to the transfer protection clause which was agreed upon when the Refugee Settlement Loan of 1926 was issued under the auspices of the League of Nations.⁷¹ This clause is roughly similar to the provisions governing transfer protection in the agreement with Germany.

HUNGARY

Hungarian reparation had not been definitely fixed in the Treaty of Trianon, and the problem did not become urgent until Hungarian economic reconstruction was initiated under the auspices of the Financial Committee of the League of Nations. The most important feature of the League plan was the settlement of Hungarian liability for reparation for a period of twenty years and the issue of an international loan. In order to make the issue of the loan possible, the Reparation Commission fixed the reparation payments at a total of 200 million gold crowns, with an average annuity of 10 million gold crowns for twenty years. There was to be a complete moratorium until 1927, when payments were to commence with 5 million gold crowns, rising gradually to 14 million crowns in 1942-1943.

The Hungarians claimed that there was an understanding that no reparation was to be paid after 1943, but no documentary evidence in support of this claim was presented. The Hungarian delegates also pointed to the fact that their country had already paid a considerable sum in the form of deliveries in kind and ceded properties which had been evaluated by the Reparation Commission at from 2½ billion to 3 billion gold crowns but which the Hungarians themselves estimated at very much higher figures.

The Little Entente countries argued that if Hungary could meet an annuity of 14 million gold crowns during the last years of the payments on the Reconstruction Loan, it would surely be able to pay something after the loan was paid off in 1943. Moreover, they were reluctant to reduce their claims upon Hungary because of the existence of the so-called optant claims—the demand of the Hungarian government for compensation for landed estates expropriated under the agrarian laws of Rumania and other countries. The Little Entente countries were apparently willing to reduce their demands for reparation from Hungary only on condition that Hungary should limit the optant claims. The Hungarian government, on the other hand, asserted that there was no legal connection between the optant question and reparation payments. It declared that Rumania had failed to live up to its undertakings inasmuch as it had prevented the Mixed Arbitral Tribunals from arbitrating the optant question in accordance with Article 239 of the Treaty of Trianon. Nevertheless, although the Hungarian government was unwilling to continue payments for reparation after 1943, it was willing to pay a small annuity after that date “for other than reparation claims.” The problem then became one of agreeing upon a limit to the counter-claims of Hungary on behalf of the landowners, the church, certain commercial interests and the properties of the Hapsburg family. The Little Entente countries wished a limit imposed upon these claims before agreeing to a definition of Hungary’s financial payments in return.

THE BROCCHI PLAN

The solution to this difficulty was finally found in the so-called Brocchi Plan, named after one of the Italian delegates who had spent a good deal of time studying Hungarian difficulties. The Brocchi Plan, which was warmly supported by M. Loucheur as chairman of the Committee on Non-German Reparation, provided for the establishment of two compensatory funds for Hungarian claims. The first, limited to 240 million gold crowns, was set up for agrarian claims, while the second—the so-called B Fund—

71. “Agreement with Bulgaria,” *ibid.*, p. 150. Cf. also the protocol of the agreement with the Financial Committee of the League of Nations, embodying the obligations undertaken by Bulgaria signed by the Bulgarian representative on September 8, 1926.

was fixed at 100 million gold crowns and was applied to all other claims.

There are three main sources for these funds. First among these are the Allied share in Hungarian reparation until 1943.⁷² Belgium, the British Empire, France, Italy, Japan and Portugal, that is to say, agreed to transfer their share in Hungarian reparation before 1943 to these funds. In the second place, France, Italy and Great Britain "in the interest of general settlement" agreed to make a further contribution averaging about 3,300,000 gold crowns a year.⁷³ These sums will be covered by the receipts from Czechoslovakian payments on the liberation debt. As part of the agreement, the Czechoslovak government agreed to pay upon the liberation debt 37 annuities of 10 million gold francs. France, Great Britain and Italy agreed to turn over to the Brocchi funds their share in these annuities.⁷⁴

The final source of the Brocchi funds is the annuity of 13½ million crowns which Hungary agrees to pay for other than reparation purposes between 1943 and 1966. Rumania, Czechoslovakia and Jugoslavia agree that 6,100,000 gold crowns of this annuity shall go to the agrarian fund, while the remainder is to go to Fund B.

In order to facilitate financing, bonds will be issued on the basis of the above payments into the Brocchi funds, which will in part take care of the payments to claimants, while some of the Allies are understood to have promised to facilitate a new Hungarian loan if necessary. The Brocchi funds, which are

72. The reparation payments of Bulgaria and Hungary up to 1943 are to be distributed as follows: Greece, 76.73 per cent; Rumania, 13 per cent; Czechoslovakia, 1 per cent; and Jugoslavia, 5 per cent of the Bulgarian and 2 per cent of the Hungarian payments. (*Hague Agreements*, p. 170.)

73. France and Italy will each undertake 40 per cent of this contribution and Great Britain 20 per cent. In the case of the agrarian funds these three powers promise to pay 3,600,000 gold crowns from 1933 to 1943 and 2,280,000 gold crowns from 1944 to 1966. In the case of Fund B the Allied contributions will amount to 3 million gold crowns from 1931 to 1943.

74. Cf. *Hague Agreements*, p. 168-72. The annuity of 10 million gold marks is to be distributed in proportion to the percentages fixed by Article 2 of the Spa Agreement: France, 3,187,854; Great Britain, 1,384,519; Italy, 3,146,632; Belgium, 418,816; Japan, 51,920; Portugal, 51,920; and Greece, 1,758,339. The large share of Greece is a redemption of the pledge given to it by Great Britain, France and Italy at the August session of the conference at The Hague, to enable the former to cover its war debts and to meet claims for damages done during the period of Greek neutrality. Cf. also footnote 72.

Simultaneously with these reparation agreements France and Italy made a very liberal settlement of the Czechoslovak war debt. (*Ibid.*) They also granted favorable terms in the settlement of the war debts of Rumania. For the settlement of the Rumanian debt to France, cf. *L'Europe Nouvelle*, November 10, 1928 and April 10, 1930.

the result of the relinquishment of Allied claims against Hungary, are therefore to be used to pay compensation for the claims of Hungary against the Succession States. The power to decide such claims is vested in the Mixed Tribunals, which are to be enlarged by adding two members from the countries which remained neutral during the World War. The total of the awards is limited by the size of the compensatory funds, and the legal position of the different parties to the dispute is not changed by the present agreement. The Little Entente powers declare that

"Although the three Governments interested are prepared to conclude the present Agreement in a spirit of conciliation with a view to terminating as far as possible the existing disputes with the Hungarian Government, they declare formally that this fact cannot constitute in any way a recognition by them of the justice of the said claims."

The Hungarian government states "that from the legal point of view it maintains the position which it previously adopted with regard to these questions."⁷⁵ Moreover, Hungarians asserted that in accepting the totals fixed by the Brocchi fund they drastically reduced the size of the optant claims against Rumania.

None of the awards are to be paid until "the total amount of the Judgments has been notified"⁷⁶ and if the total of the awards exceeds the size of the fund, each award will be honored in the proportion which the size of the fund bears to the total of the awards. If there is any surplus in the agrarian fund—often referred to as Fund A—it is to go to Fund B, against which the chief pending claims seem to be those of the Hapsburgs. M. Benes announced at Prague on January 30 that the Little Entente powers intend to have the League Council ask the Permanent Court of International Justice for an advisory opinion on the legitimacy of the latter claims. As the debtor countries are quite confident that they will not be allowed, it is supposed that a good deal of Fund B will remain unused and will therefore—according to the provisions—be employed "to redeem

75. *Ibid.*, p. 157.

76. *Ibid.*, p. 168.

the sums paid to the Fund by Great Britain, France and Italy, proportionately to the contribution of each of these Powers."

It should be pointed out that the above-mentioned provisions, which are set forth in the annexes to the agreement relating to Hungarian obligations are to be regarded as only the basis of the final agreement

but that they "now and henceforth constitute an undertaking on the part of the signatory Governments." The final texts were to be drafted by a committee comprising a representative of each of the signatory powers. This committee met at Paris on February 5 and after encountering several difficulties signed a final agreement on April 28, 1930.⁷⁷

CONCLUSION

We have here, then, a definite settlement of a series of disputes which have disturbed the relations of the Succession States since the peace. The claims have been limited in amount, further surprises seem precluded and machinery for the settlement of all possible disputes has been agreed upon. The Permanent Court of International Justice has been designated as the court of appeals for all cases handled in the Mixed Tribunals.

M. Albert Thomas, the Director of the International Labour Organization, pointed out in a speech at Bucharest that "with the financial liquidation of the War accomplished at The Hague, the moment has come to think seriously of the organization of Europe within the framework of the League."⁷⁸ Immediately after the second session of the Hague Conference, the initiation of a series of negotiations for bilateral pacts seemed to indicate that a new clarification of the po-

litical atmosphere of the continent had been brought about. At The Hague, negotiations between Yugoslavia and Hungary for a treaty of non-aggression were brought to an advanced stage, similar negotiations between Rumania and Hungary were expected to take place,⁷⁹ while M. Benes has stated that to him the great gain of the final settlement lies in the fact that "the road is now open to an agreement among the Central European powers."⁸⁰ Even the very difficult Bulgarian-Yugoslav relations have improved and the conclusion of a frontier convention with arrangements for the exchange of properties along the boundary has become possible.⁸¹ In a broader way, the Tariff Truce Conference at Geneva has illustrated the new possibilities.

There is considerable reason to agree with Mr. Snowden that the settlement of these controversies "represents a political achievement of capital importance."

77. At the moment of going to press, it was reported that the final settlement concluded at Paris is embodied in four agreements, which substantially conform to the texts which were initialled at The Hague. The Hungarian delegation had expressed fear that possible future complaints under the agrarian laws might not be covered by the Agrarian Fund, and as a result of discussions on the subject. The claims to be met by the A fund are now specifically limited to law suits filed before January 20, 1930 or based on dispossessions that took place before that date. The A Fund was then reduced from 240 million to 219.5 million gold crowns, while Great Britain, France and Italy (in the proportion of 10 per cent for Great Britain and 45 per cent for both France and Italy, according to the London Times of April 28, 1930) undertook special guarantees in case of future claims not hitherto contemplated. (Cf. *Prager Presse*, April 27, 1930.)

78. *Journal de Genève*, February 22, 1930, p. 3.

79. Cf. *New York Times*, March 4, 1930.

80. *Prager Presse*, January 31, 1930, p. 7. Cf. also Edouard Benes *Les Problèmes des Réparations et la Liquidation de la Guerre Mondiale à La Haye* (Prague, "Orbis," Société Anonyme d'Impression).

81. Cf. *Frankfurter Zeitung*, February 5, 1930.

ANNEX I

In the debt certificate of the German government, signed at the second session of the Conference at The Hague, the annuities to be paid by Germany from 1929 until 1987 are specified.* In a concurrent memorandum accompanying the Young plan were set forth the amounts required to cover the inter-Allied debts.** Both these out-payments and the German annuities are reproduced in the following table:

Year			German Annuities (In millions of Reichsmarks.)	Amounts re- quired to cover out-payments
Sept. 1, 1929—Mar. 31, 1930			676.9	
April 1, 1930	"	1931	1641.6	965.1
"	1931	1932	1618.9	942.3
"	1932	1933	1672.1	995.4
"	1933	1934	1744.9	1136.4
"	1934	1935	1807.5	1199.0
"	1935	1936	1833.5	1224.9
"	1936	1937	1880.3	1271.8
"	1937	1938	1919.8	1334.0
"	1938	1939	1938.1	1352.5
"	1939	1940	1983.4	1375.0
"	1940	1941	2096.1	1487.6
"	1941	1942	2114.6	1437.9
"	1942	1943	2131.9	1455.1
"	1943	1944	2128.2	1451.5
"	1944	1945	2141.4	1464.7
"	1945	1946	2137.7	1460.9
"	1946	1947	2133.4	1456.5
"	1947	1948	2149.1	1472.3
"	1948	1949	2143.9	1467.1
"	1949	1950	2240.7	1461.6
"	1950	1951	2283.1	1503.9
"	1951	1952	2267.1	1487.9
"	1952	1953	2270.1	1491.0
"	1953	1954	2277.2	1498.1
"	1954	1955	2288.5	1509.4
"	1955	1956	2283.7	1504.5
"	1956	1957	2278.1	1499.1
"	1957	1958	2285.7	1506.7
"	1958	1959	2317.7	1538.6
"	1959	1960	2294.5	1515.4
"	1960	1961	2304.4	1525.4
"	1961	1962	2322.2	1543.2
"	1962	1963	2314.1	1535.0
"	1963	1964	2326.5	1547.4
"	1964	1965	2326.0	1546.8
"	1965	1966	2352.7	1573.7
"	1966	1967	1566.9	1566.9
"	1967	1968	1566.1	1566.1
"	1968	1969	1575.9	1575.9
"	1969	1970	1589.2	1589.2
"	1970	1971	1602.9	1602.9
"	1971	1972	1613.1	1613.1
"	1972	1973	1621.5	1621.5
"	1973	1974	1624.9	1624.9
"	1974	1975	1627.6	1627.6
"	1975	1976	1634.2	1634.2
"	1976	1977	1637.9	1637.9
"	1977	1978	1644.6	1644.6
"	1978	1979	1654.7	1654.7
"	1979	1980	1659.6	1659.6
"	1980	1981	1670.5	1670.5
"	1981	1982	1687.6	1687.6
"	1982	1983	1691.8	1691.8
"	1983	1984	1703.3	1703.3
"	1984	1985	1683.5	1683.5
"	1985	1986	925.1	925.1
"	1986	1987	931.4	931.4
"	1987	1988	897.8	897.8

The cash value of German annuities calculated at 5½ per cent as of April 1, 1929 has been estimated at 33,750,000,000 Reichsmarks. The present value of German payments to the United States, similarly calculated, is 1,107,000,000 Reichsmarks; of payments to Belgium, 313,000,000 Reichsmarks; and of payments on the Dawes loan 947,000,000 Reichsmarks. The present value of all German payments is thus 36,117,000,000 Reichsmarks.

*Hague Agreements, p. 32-33.

**Ibid., p. 129-33.